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Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
/066 W
----------019112 050907Z /12
P R 050818Z JUL 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC PRIORITY 2073
INFO AMEMBASSY TOKYO
CINCPAC

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CINCPAC FOR POLAD

E.O. 11652: N/A
TAGS: PGOV, KS
SUBJECT: ROK APARTMENT SCANDAL

1. SUMMARY. REAL ESTATE SCANDAL INVOLVING HYUNDAI GROUP, 190 ROKG OFFICIALS AND HUNDREDS OF PRIVATE CITIZENS, HAS BROKEN AS HEADLINE NEWS. NAMES OF SOME OF THOSE INVOLVED (INCLUDING SIX NATIONAL ASSEMBLYMEN) HAVE BEEN PUBLISHED BY TONGA ILBO, AND STRONG PRESSURE IS MOUNTING FOR FULL DISCLOSURE. DESPITE PRESIDENT'S CONDEMNATION OF SCANDAL AND ANNOUNCEMENT OF INTENTION TO DISMISS SOME OF OFFICIALS INVOLVED, ISSUE IS MAJOR EMBARASSMENT FOR ADMINISTRATION AND APPEARS TO PROVIDE OPPOSITION NDP WITH POLITICAL AMMUNITION IN THIS ELECTION YEAR.

2. FOR SOME TIME RUMORS OF MAJOR SCANDAL HAD CIRCULATED IN SEOUL. ON JULY 3, BLUE HOUSE SPECIAL ASSISTANT FOR INSPECTION AND REFORM AFFARIS (BHIR) CONFIRMED RUMORS BY ANNOUNCING THAT REPORT, DETAILING LARGE-SCALE REAL ESTATE MANIPULATIONS INVOLVING HYUNDAI SUBSIDIARY CONSTRUCTION FIRM AND 190 ROKG OFFICIALS, HAD BEEN SENT TO PRESIDENT IN LATE MAY.
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(COMMENT: ONE SOURCE STATED INVESTIGATION HAD BEGUN IN OCTOBER 1977 AND WAS COMPLETED TWO MONTHS AGO. IT IS UNCLEAR WHETHER REPORT WAS KEPT FROM PRESIDENT BY BHIR AND WHAT PROMPTED DISCLOSURE AT THIS TIME.) ACCORDING TO BHIR, NO PRESENT CABINET MEMBER IS IMPLCATED, BUT ONE NEWS SOURCE CAUTIONED EMBOFF "NOT TO BE SURPRISED" IF ONE OR TWO CABINET MEMBERS ARE LATER NAMED.

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ONE HIGH-LEVEL NEWS SOURCE STATED PRESS WAS GIVEN (ON BACKGROUND) LIST OF PEOPLE INVOLVED, AND ROKG HAS EXPRESSED DISPLEASURE THAT NAMES ARE BEING PRINTED. FOLLOWING ARE NAMES PRINTED BY TONGA ILBO ON JULY 5.

NATIONAL ASSEMBLYMEN:
YUK IN-SU, DRP (PRESIDENT'S BROTHER-IN-LAW)

PAK SAM CHOL, DRP (EX-CIA BUREAU DIRECTOR)

YI PM-CHUN, YUJONG-HOE

KIM CHIN-POK, YUJONG-HOE (EX-SEOUL SINMUN ED WRITER)

PAK CHU-HYON, INDEPENDENT

O CHE-TO, INDEPENDENT (LAWYER ELECTED IN BY-ELECTION)

INCUMBENT GOVERNMENT OFFICIALS:

VICE FOREIGN MINISTER (NAME NOT GIVE BUT THERE IS ONLY ONE -- YI MUN-YONG).

KIM YONG-OK, DIRGEN, OFFICE OF PLANNING AND COORDINATION, OFFICE OF PRIME MINISTER.

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KANG KYONG-SIK, ASSISTANT MINISTER FOR PLANNING, EPB.

PAK PIL-SU, ASSISTANT MINISTR FOR TRADE & COMMERCE, MCI

IIM SON-KIL, ASSISTANT MINISTER FOR INTERNATIONAL COOPERATION, MCI

KWAK HU-SOP, SECOND VICE MAYOR OF SEOUL

FORMER MINISTERS:

HONG SONG-CHOL, PRESIDENT OF INTERNATIONAL CULTURAL SOCIETY

YU CHAE-HUNG, PRESIDENT OF KOREA OIL CORPORATION

KIM YONG-CHUN, PRESIDENT OF KOREA ELECTRIC CORP.

KANG SO-RYONG, PRACTICING LAWYER

ONE FORMER MINISTER OF NATIONAL UNIFICATION BOARD (LISTED AS CERTAIN "K". ONLY TWO KIM'S HAVE SERVED AS MINISTER: KIM YONG-SIK, WASH AMB; AND KIM YONG-SON,

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TOKYO AMB.)

PERSONAGES IN BANKING/FINANCIAL CIRCLE:

PAK TONG-HUI, GOVERNOR OF KOREA HOUSING BANK, PLUS 15
OTHERS (NAMES NOT GIVEN) IN FINANCIAL CIRCLES.
IN ADDITION TO ROKG OFFICIALS, PRESS REPORTS OTHERS
INVOLVED INCLUDE 34 IN JOURNALISM, 6 FORMER GENERALS,

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ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
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/066 W
----------019137 050901Z /12
P R 050818Z JUL 78
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TO SECSTATE WASHDC PRIORITY 2074
INFO AMEMBASSY TOKYO
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5 SEOUL NATIONAL UNIVERSITY PROFESSORS, SEVEN LAWYERS,
ET AL, PLUS ORIDNARY CITIZENS WITH CONNECTIONS TO
HYUNDAI EXECUTIVES.

3. SCANDAL ORIGINATED WITH GOVERNMENT DECISION TO
ALLOW HYUNDAI TO SELL 950 UNITS IN NEWLY CONSTRUCTED
APARTMENT COMPLEX WITHOUT OPEN BIDDING, ON PRETEXT
THAT UNITS WOULD GO ONLY TO HYUNDAI EMPLOYEES. INVESTI-
GATION DETERMINED THAT AS MANY AS 650 UNITS WERE SOLD
TO PEOPLE OTHER THAN HYUNDAI EMPLOYEES. IN ADDITION
TO VIOLATING ROKG/HYUNDAI UNDERSTANDING ON SALE OF
UNITS, SCANDAL IS COMPOUNDED BY FACT THAT SOME UNITS WERE
REPORTEDLY QUICKLY RE-SOLD IN APPARENT SPECULATIVE
ACTIVITY. PURCHASE PRICE WAS ABOUT $20,00/UNIT
(CHEAP FOR LUXURY APARTMENTS) AND THOSE WHO RE-SOLD
THEIR UNITS WITHOUT EVEN MOVING IN, REPORTEDLY REALIZED
AS MUCH AS 100 PERCENT PROFIT IN WHAT WOULD AMOUNT TO PAPER

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TRANSACTION. FOLLOWING JULY 4 CABINET MEETING WITH PRESIDENT, BLUE HOUSE OFFICIAL STATE 1) ROKG OFFICIALS WHO BOUGHT APARTMENTS FOR RESIDENCE WOULD BE SENT
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"WARNING LETTERS" BUT NOT DISMISSED; 2) ROKG OFFICIALS WHO RE-SOLD THEIR APARTMENTS, GAINING PROFITS BY SPECULATION, WOULD BE DISMISSED OR RECEIVE DISCIPLINARY PUNISHMENT. PROSECUTOR'S OFFICE HAS ANNOUNCED IT WILL SUMMON ALL OFFICIALS INVOLVED FOR QUESTIONING. IN ADDITION, OFFICE OF TAX ADMINISTRATION IS CONDUCTING SEPARATE INQUIRY.

4. NDP DEMAND FOR CONVOCATION OF NATIONAL ASSEMBLY CONSTRUCTION AND LEGISLATIVE/JUDICIARY COMMITTEES HAS BEEN "TEMPORARILY" REJECTED BY DRP, WHICH CLAIMS ASSEMBLY MUST WAIT UNTIL PROSECUTOR'S OFFICE COMPLETES INVESTIGATION. NDP HAS CALLED FOR PUBLIC DISCLOSURE OF GUILTY PARTIES (NO NDP MEMBERS HAVE BEEN IMPLICATED) AND DEMANDED PUNISHMENT OF HYUNDAI ("THE TYRANT OF THE BUSINESS WORLD"). YI CH'UL-SUNG HAS DUBBED THE AFFAIR "A DOMESTIC PARK TONG-SUN SCANDAL".

5. REAL ESTATE QUESTION (INCLUDING SHORTAGE OF HOUSING, RECENT LACK OF CONSTRUCTION MATERIALS, AND SPECULATION) HAS BEEN MAJOR ISSUE IN KOREA FOR MANY MONTHS. POSSIBILITY EXISTS THAT COMPANIES OTHER THAN HYUNDAI HAVE ENGAGED IN SIMILAR DEALINGS. COMBINATION OF REAL ESTATE MANIPULATION SCANDAL PLUS ROKG OFFICIALS' PARTICIPATION HAS PROVIDED NDP WITH POWERFUL ISSUE ON WHICH TO TAKE GOVERNMENT TO TASK.
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Control Number: n/a
Copy: SINGLE
Draft Date: 05 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Review Media Identifier:
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Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2113905
Secure: OPEN
Status: NATIVE
Subject: ROK APARTMENT SCANDAL
TAGS: PGOV, KS, HYUNDAI CONSTRUCTION CO
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/ab03fc7a-c288-dd11-92da-001cc4696bcc
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